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Energy and Telecommunications Interim Committee
63rd Montana Legislature

SENATE MEMBERS
CLIFF LARSEN—Chair
EDWARD BUTTREY
ROBYN DRISCOLL
ALAN OLSON

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KEITH REGIER—Vice Chair
MIKE LANG
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TOM STEENBERG

COMMITTEE STAFF
SONJA NOWAKOWSKI, Lead Staff
TODD EVERTS, Staff Attorney
JOY LEWIS, Secretary

MINUTES LOG
ENERGY AND TELECOMMUNICATIONS INTERIM
COMMITTEE MEETING
Great Falls College - MSU
May 8, 2014

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. To the left of each section in these minutes is a time designation indicating the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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Hard copies of the exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

COMMITTEE MEMBERS PRESENT

SEN. CLIFF LARSEN, Chair
REP. KEITH REGIER, Vice Chair

SEN. EDWARD BUTTREY
SEN. ROBYN DRISCOLL
SEN. ALAN OLSON

REP. MIKE LANG
REP. MARY MCNALLY
REP. TOM STEENBERG

STAFF PRESENT

SONJA NOWAKOWSKI, Lead Staff
TODD EVERTS, Staff Attorney
JOY LEWIS, Secretary
K'LYNN SLOAN HARRIS, Audio/Visual Coordinator

AGENDA & VISITORS' LIST

Agenda, (Attachment 1)
Visitors' list, (Attachment 2)

Energy and Telecommunications
July 18, 2014

Exhibit 11

COMMITTEE ACTION

The committee approved a motion to take more time reviewing the "Renewable Rewards and Risks" draft report and work sheet, and come to the next meeting prepared to discuss draft findings and recommendations, and to approve the report. The committee also agreed to release the report to the public for comment.

- 00:00:13 Chairman Larsen convened the meeting at 9:07 a.m. The Secretary took the roll. (Attachment 3) Sen. Larsen welcomed Mayor Michael Winters.
- 00:03:20 Mayor Michael Winters welcomed the committee to Great Falls.
- 00:04:52 Sen. Larsen

Follow-up on Prepaid Wireless 9-1-1 Issues (Tab 5)

- 00:05:01 **Update**
Vice Chairman Regier gave an update on the Prepaid Wireless 9-1-1 Stakeholders Discussion held on April 23, 2014. (Exhibit 1) (Exhibit 2)
- 00:07:21 **ETIC Questions and Discussion**
Sen. Larsen - Rep. Regier
- 00:08:22 **Public Comment**
There was none.
- ETIC Action**
There was no action taken.

Agency Overview Presentation

- 00:08:34 **PSC Overview**
Chairman Gallagher gave a presentation and overview of recent rulings related to renewables, Qualifying Facility issues (QF's), and Telecommunications - FCC Rate Floor. (Exhibit 3)
- 00:31:30 **Public Comment**
Diego Rivas, Montana Policy Associate for the Northwest Energy Coalition talked about LRAM or "lost revenue adjustment mechanism" He wanted the committee to be aware of this issue coming up in the near future before the PSC.
- 00:33:01 **ETIC Questions and Discussion**
Sen. Buttrey
- 00:33:45 Chairman Gallagher

Update on FERC Order

PSC Response

00:35:01 Chairman Gallagher gave an update on the recent Federal Energy Regulatory Commission (FERC) Orders, the Public Utility Regulatory Policies Act (PURPA), and the Dave Gates Generating Station (DGGS). The PSC has taken no official action yet in response to the orders. **(Exhibit 4)**

Public Comment

00:55:25 John Fitzpatrick spoke on behalf of NorthWestern Energy. He commented on the FERC order that dealt with PURPA and the QFs that Chairman Gallagher had spoken about and the petition for the order that NorthWestern has before the PSC. He submitted written testimony to the committee. **(Exhibit 5)**

01:03:05 Jeff Fox, Montana Policy Manager for Renewable Northwest, commented on the PURPA order, and he encouraged the PSC to take the opportunity to revise the QF program in a way that is compliant with the FERC declaratory ruling.

01:05:42 Travis Kavulla, PSC Commissioner, talked about some of the consequences of the FERC ruling. He explained he was sympathetic with some limited regard on what NorthWestern Energy has to say about the Dave Gates Generating Station.

01:14:20 Doug Hardy, Central Montana Electrical Power Cooperative, stated that he was available for questions.

ETIC Questions and Discussion

01:14:48 There was no discussion.

RPS Follow-up (Consumer Counsel, Health Studies, Costs) (Tab 1 & 6)

Introduction

01:14:59 Ms. Nowakowski followed up on committee action from the March meeting in Helena in regard to a letter requested by the committee asking the Consumer Counsel for an analysis of the impacts that the Montana renewable energy mandate has had on Montana ratepayers. She also gave an overview of the discussion at the March meeting concerning the Dave Gates Generating Station and how much of the costs should be attributed to wind generation. She referenced Sen. Olson's request for more information, and she mentioned that all this information was included in the meeting packets. She referenced the health impacts in the "Renewable Rewards and Risks" draft report on pages 28-30, which was also requested at the March meeting.

Consumer Counsel -- Bob Nelson and Larry Nordell

01:20:01 Bob Nelson gave an overview of the renewable portfolio standard report the Counsel prepared for the committee. **(Exhibit 6)**

01:23:56 Larry Nordell gave a more detailed overview of the report and the challenges they had with making some of the more specific determinations. **(Exhibit 6)**

Public Comment

01:37:36 Kyla Maki, Montana Environmental Information Center (MEIC), said she wasn't surprised by the conclusions of the Consumer Counsel. She talked about the market comparison used by the Consumer Counsel and how it exemplifies the

variability of the market. She explained that you can't compare RPS resources to the spot market costs. The purpose of RPS resources is to hedge against the volatility in the market, she said.

ETIC Questions and Discussion

01:41:01 Rep. Regier
01:41:44 Mr. Nordell

RPS Study and Development of Findings and Recommendations (Tab 2 & 3)

Introduction

01:42:22 Ms. Nowakowski gave a quick overview of the "Renewable Rewards and Risks" draft report and the RPS draft worksheet **(Exhibit 7) (Exhibit 8)**

Public Comment

01:49:46 Former Rep. Sue Dickenson, D-Great Falls, spoke about environmental health issues concerning power plants. When she was a legislator, she tried to get Montana involved with a nationwide environmental public health tracking system. This system gathers public health information that may be affected by environmental factors. She mentioned public comment that disclosed high levels of mercury in hair samples of woman from the Colstrip area. Other comments from people in Colstrip expressed concern about the seemingly high levels of rare forms of brain cancer. She was happy that the committee is looking into these issues.

01:53:15 Kyla Maki, MEIC, commented that the draft report correctly reflected the committee discussion and was a good assessment of the impacts, benefits and costs of the RPS in Montana. She commented on the report introduction on page 1.

01:56:17 Richard Liebert, retired army colonel and local cattle rancher, supports more wind farms and spoke about the problems of transmission. He is the chairman for "Citizens for Clean Energy." **(Exhibit 9)**

ETIC Questions

There were no questions.

Discussion and Action on Draft Findings and Recommendations

02:01:07 Ms. Nowakowski referred to the worksheet - RPS Draft Findings and Recommendations, and asked the committee how they would like to proceed. **(Exhibit 8)**

02:02:22 Sen. Olson
02:04:32 Sen. Driscoll
02:05:04 Rep. Steenberg
02:06:24 Sen. Larsen
02:06:29 Ms. Nowakowski
02:07:24 Sen. Larsen
02:07:36 Rep. McNally
02:08:14 Sen. Larsen
02:08:42 Ms. Nowakowski
02:09:38 Sen. Olson

02:10:26 Sen. Larsen
 02:10:45 Sen. Olson
 02:11:40 Sen. Larsen
 02:11:46 Rep. McNally
 02:12:21 Sen. Larsen
 02:12:55 Sen. Olson
 02:14:56 Sen. Larsen
 02:15:40 Sen. Olson
 02:17:08 (Sen. Buttery)
 02:18:08 Sen. Larsen
 02:18:23 Rep. Regier
 02:19:40 Sen. Larsen
 02:20:20 **Sen. Buttery moved that the committee take the report and the worksheet provided by staff, spend time with it and come back to the next meeting prepared to discuss draft findings and recommendations, and to approve the report. The motion was amended per Sen. Olson's request to release the report to the public for comment.**
 02:20:57 **Sen. Larsen called for a voice vote and the motion passed unanimously.**
 02:21:26 Ms. Nowakowski
 02:24:09 Sen. Larsen
 02:24:40 Sen. Buttery
 02:25:12 Sen. Olson
 02:26:15 Sen. Buttery
 02:27:04 Sen. Larsen
 02:27:37 Sen. Olson
 02:28:14 Ms. Nowakowski
 02:29:20 Sen. Buttery
 02:30:02 Sen. Larsen
 02:30:17 Sen. Buttery
 02:31:02 Sen. Larsen
 02:31:08 Sen. Olson
 02:32:05 Rep. McNally
 02:32:42 Sen. Buttery
 02:33:23 Sen. Larsen
 02:34:03 Sen. Olson
 02:34:31 Sen. Larsen

Renewable Energy Credit Reports (Tab 4)

Update
 02:35:15 Ms. Nowakowski, per ETIC's request in March, gave an update on staff's work with the Department of Revenue, to revise the forms used for reporting Renewable Energy Credits (REC). The draft form was included in member packets mailed out before the meeting.

Public Comment
 02:36:33 Chairman Gallagher talked about a comment Mr. Nordell made in his report about an integration cost of \$1.30 per megawatt hour, and he commented on the perceived benefits of the RPS applying across the state. The Legislature has put

the price of that on the backs of only regulated ratepayers or the customers of NorthWestern Energy and Montana Dakota Utilities. He said he has always felt this was unfair.

ETIC Questions and Discussion

02:39:32 Sen. Olson

Welcome from Dean Wolff -- Great Falls College -- MSU

02:40:24 Dean Wolff welcomed the committee.
02:41:26 Sen. Larsen - Dean Wolff
02:42:47 Rep. McNally
02:43:01 Dean Wolff
02:45:02 Rep. Regier
02:45:21 Dean Wolff
02:48:43 Sen. Larsen - Dean Wolff
02:49:18 Sen. Buttrely
02:49:36 Dean Wolff
02:49:51 Sen. Larsen

Public Comment

02:50:28 Richard Liebert talked about power transmission problems and eminent domain and putting those issues in the context of the RPS. He wants the committee to look at some of the issues in terms of public safety and economics surrounding the expansion of the refineries, and he worries about water and fracking.
02:55:14 Bob Cole, North American Wind Energy Enterprises, (NAWEE) explained his new company is working to process camelina oil from pod-to-oil-to-biodiesel. (Exhibit 10)
02:57:37 Rep. Lang
02:58:02 Bob Cole
03:01:37 Rep. McNally
03:01:54 Ms. Nowakowski
03:02:16 Sen. Larsen recessed the meeting at 12:00 p.m.

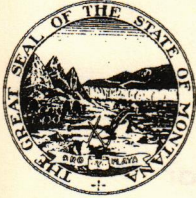
Lunch for ETIC members -- Rikki's Pasta and Pizza -- 1220 9th Street South
Lunch at 12:09 p.m.

Depart for Calumet Montana Refinery at 1:40 p.m.
Overview and Welcome -- Dexter Busby

Depart for Highwood Generating Station at 2:45 p.m.
Overview and Welcome -- Bill Bato (Exhibit 11)
Tour

Meeting Recessed at 5:30 p.m.

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MINUTES LOG

ENERGY AND TELECOMMUNICATIONS INTERIM COMMITTEE MEETING

Great Falls College - MSU
May 9, 2014

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Agenda, Attachment #1.
Visitors' list, Attachment #2.

COMMITTEE ACTION

The committee agreed to send a letter to the PSC voicing its support for NorthWestern Energy's proposed purchase of the PPL hydro facilities. The committee adopted the March 2014 minutes.

Meet at Great Falls College -- MSU campus -- Depart for Rainbow Dam at 7:45 p.m.

Overview and Welcome -- Jeremy Butcher and Jerry Gray
Tour

Return to Great Falls College -- MSU

2100 16th Avenue South, Room G45-46

00:13:45 Sen Larsen reconvened the meeting at 10:31 a.m.

NorthWestern Energy's Purchase of PPL Dams

00:14:43 Chairman Gallagher, Public Service Commission, gave an overview of NorthWestern Energy's application for the purchase of PPL's 12 Hydro Facilities. (Exhibit 1)

00:22:41 Bob Nelson, Consumer Counsel, commented on NorthWestern's purchase application as the case stands at present on May 9, 2014. He questioned not buying the dams but at what price and under what conditions? He argued that the public is more interested in the economic benefits of the dams. He believes that NorthWestern's proposal at the current proposed price, is not about economic benefits. They have three concerns relating to how NWE calculated the purchase price. The overriding concern is how much the ratepayers will have to pay for these facilities. He made several suggestions to mitigate the increased costs.

00:40:24 John Fitzpatrick, NorthWestern Energy, talked about NWE's application to purchase the PPL dams. The purchase price is determined by the seller, not the buyer. He disagreed with the Consumer Counsel's concerns. (Exhibit 2)

Public Comment

00:58:48 Sen. Brad Hamlett, SD 10, talked about the water rights held by PPL. He believes that the state needs to secure these rights to ensure water usage during times of drought and thinks the purchase should go through. It may be the only time to secure these water rights.

01:02:10 Chris Christians, Montana Farmers Union, spoke about the Missouri River Basin Advisory Committee's report that there is not enough water coming down the Missouri in July and August to take care of PPL's water rights for their dams. This affects the water rights of senior water right holders who live downstream.

ETIC Questions and Discussion

01:03:48 There was none

01:04:15 **Sen. Buttrey moved that the Energy and Telecommunications Interim Committee send a letter to the PSC voicing its support for NorthWestern Energy's proposed purchase of the PPL hydro facilities.**
01:05:07 **Sen. Olson seconded the motion.**
01:08:03 **Sen. Larsen called for a voice vote on Sen. Buttrey's motion. The motion passed unanimously.**

Other Business

01:08:48 **Approve March 2014 Meeting Minutes (Tab 7)**
01:09:06 **Rep. Regier moved to approve the March 2014 minutes.**
01:09:06 **Sen. Larsen called for a voice vote on Rep. Regier's motion. The motion carried unanimously.**
 Instructions to Staff for July meeting
01:09:20 Sen. Larsen
01:09:47 Sen. Olson
01:10:07 Sen. Olson
01:10:13 Ms. Nowakowski
01:10:49 Sen. Larsen
01:10:55 Sen. Olson
01:11:01 Sen. Buttrey
01:11:20 Sen. Larsen

Public Comment

01:12:11 There were no comments.
01:12:44 Sen. Buttrey recognized Ms. Nowakowski for her work.
01:13:53 Ms. Nowakowski
01:14:21 Sen. Larsen adjourned the meeting at 11:30 a.m.

Lunch 11:30 a.m. Lunch was provided to ETIC members on-site.

Depart for Malmstrom Air Force Base Central Heating Plant at 1:00 p.m.

Overview and Welcome
Tour

Meeting Adjourned at 2:10 p.m.

01:08:15 Sen. Burton moved that the Energy and Transportation Interim Committee send a letter to the FCC asking its support for Northwest Energy's proposed purchase of the B&E by the 1st floor.
 01:08:37 Sen. Burton supported the motion.
 01:08:57 Sen. Burton called for a voice vote on Sen. Burton's motion. The motion passed unanimously.

01:09:00 Over Business

01:08:48 Sen. Burton moved to approve the March 2014 minutes.
 01:09:00 Sen. Burton called for a voice vote on Sen. Burton's motion. The motion passed unanimously.
 Instructions to Staff for this meeting.

01:09:20 Sen. Burton
 01:09:47 Sen. Burton
 01:10:07 Sen. Burton
 01:10:13 Sen. Burton
 01:10:48 Sen. Burton
 01:10:58 Sen. Burton
 01:11:01 Sen. Burton
 01:11:53 Sen. Burton

01:11:53 Public Comments

01:12:17 There were no comments.
 01:12:44 Sen. Burton thanked Mr. McManis for his work.
 01:13:07 Mr. McManis
 01:14:57 Sen. Burton adjourned the meeting at 1:30 p.m.
 Lunch
 1:30 p.m. Lunch was provided to FHIC members on-site.

01:15:07 Public Comments
 01:15:07 Public Comments
 01:15:07 Public Comments

Meeting Adjourned at 2:15 p.m.